

**FUND FLOW REPORT**

Week Ended  
October 9, 2015

Foreign Flow Meter (M'sia)



Tide

(increase to)  
MODERATE-HIGH



Current

(remain)  
HIGH

- Equity markets around the globe made a massive turnaround last week, after a prolonged period of volatile and uncertain trading since China market's dramatic decline in June.
- All benchmark indices ended the week in the greenzone. Many registered their best 5-day return this year.
- The U.S disappointing job numbers for September was a catalyst for Emerging Markets. Sentiment was further boosted as the minutes to the Fed Open Market Committee's September meeting released on Thursday increased expectations that a rate hike will only occur in 2016.
- After two weeks of selling, foreign funds turned net buyers of Asian equity last week. In relative terms, Indonesia was the biggest gainer, where foreign funds bought USD161.8m, the highest in a week since April. The rupiah was the best performing Asian currency last week, gaining a whopping 9.2%.
- There was also a big swing in money flow in Thailand, which reported a weekly haul of USD143.9m, effectively reversing the outflow the week before.
- Bucking trend was the Philippines where foreign funds remained net sellers, and had withdrawn in 23 out of the last 24 weeks, reflecting the overhang of foreign liquidity in the system.
- On Bursa, there was another dramatic change in the direction of foreign money flow last week. After selling for two straight weeks, foreign investors bought RM783.4m net in the open market, the highest amount amassed since May 2014.
- The KLCI rose 4.8% last week, the best this year, with the index managing to stay above the important threshold of 1700 points at the close on Friday at 1706.5. Last week's rally cut the year-to-date loss to only -3.1%, making Bursa the fifth best performing markets among Asian peers.

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## RELATIVELY HIGH TIDE IN EMERGING MARKETS

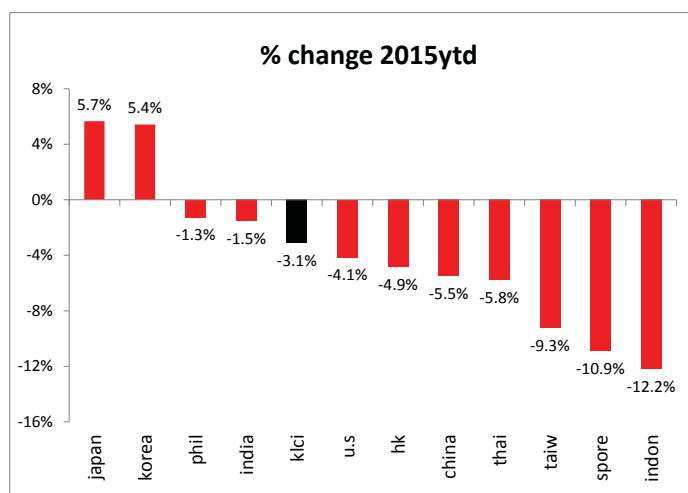
### A. MARKET SNAPSHOT

- Equity markets around the globe made a sensational turnaround last week, after a prolonged period of volatile and uncertain trading since China market's dramatic decline in June.
- All benchmark indices ended the week in the greenzone. Many registered their best 5-day return this year. Among the markets that we track, the benchmarks in Malaysia, Singapore, Indonesia, Philippines, U.K, Germany and U.S (S&P500) recorded their highest weekly gains in 2015.
- China's market reopened on Thursday after a five trading-day absence due to the National Day holiday. It had a decent re-opening and the CSI300 gained 4.28% over two days. Nevertheless, trading remained thin as investors were anxious over the GDP report due out on 19 October and the upcoming 3Q15 earnings reporting season. Meanwhile, the Korean and Taiwan markets were closed last Friday, which was a good day for equity. This explains why the two indices were the laggards last week.
- A main contributor to the markets' renaissance was the disappointing U.S unemployment statistics. It was a respite for Emerging Markets (EM) which had retraced to depressed levels. EM currencies rallied by the biggest margin since the Financial Crisis 2008.
- Even Wall Street, which has been in a consolidation mood, was buoyed by the global trend. The S&P 500 and Dow Jones punched through the psychological thresholds of 2,000 and 17,000 points respectively, for the first time since August. The Dow Jones rose 3.7%, while the S&P500 added 3.3%, the latter recording its best weekly outcome this year.
- A boost to sentiment came in the form of the minutes to the Fed Open Market Committee's September meeting released on Thursday. The minutes indicated that the Fed were concerned over its inflation target of 2%, doubting that the level will be hit before the end of 2018. The Committee was also worried over the global economic slowdown. Consequently, market sentiment increasingly expects a rate hike to happen only in 2016.
- The KLCI rose 4.8% last week, the best this year, with the index managing to stay above the important threshold of 1700 points at the close on Friday at 1706.5. Last week's rally cut the year-to-date loss to only -3.1%, the fifth best performing markets among Asian peers.

Performance of major markets		
Weekly % change	Week before	Last week
Jakarta JCI	-0.04	9.07
Straits Times	-1.39	7.35
DAX	-1.40	5.69
CAC	-0.49	5.44
Thai SET	-2.21	4.83
KLCI	0.85	4.77
FTSE	0.34	4.67
Hang Seng	1.51	4.43
China CSI300	-0.90	4.28
Phil Comp	-0.97	4.21
Nikkei 225	-0.87	4.03
Dow Jones	0.97	3.72
India Sensex	1.38	3.27
S&P500	1.04	3.26
Korea KOSPI	1.38	2.53
Taiwan TaieX	2.12	1.70

Source: Bloomberg

### Major Asian indices (2015)

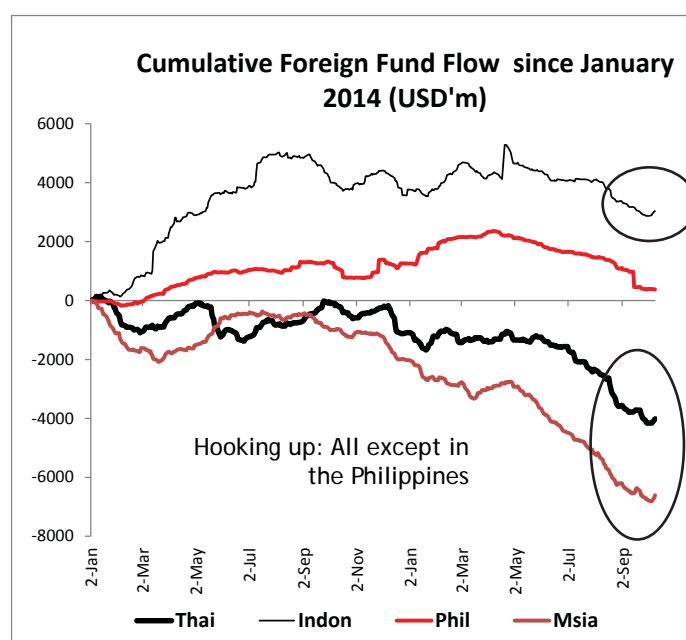
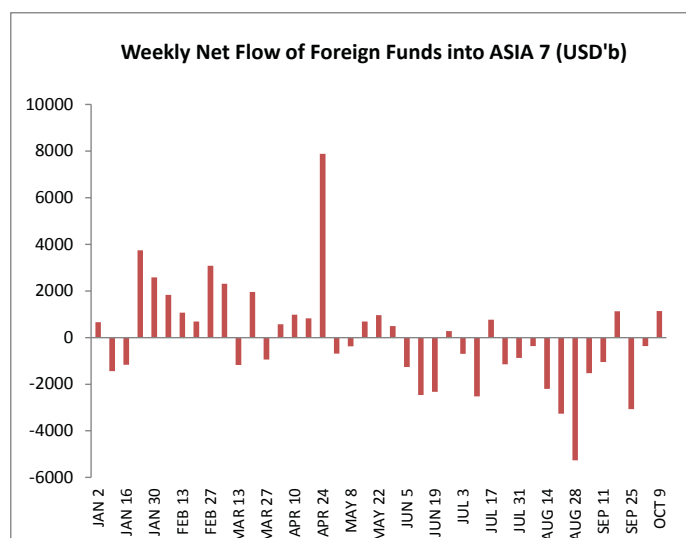


Source: Bloomberg. All in local currency.

## FUND FLOW REPORT

### B. TRACKING MONEY FLOW - ASIA <sup>1</sup>

- After two weeks of selling, foreign funds turned net buyers of Asian equity last week. This is unsurprising in view that the outflow had tapered noticeably in the week prior.
- Based on provisional data from the respective exchanges, investors classified as “foreign” were aggregate net buyers in the 7 Asian stock markets that we track (TIPs + India, Taiwan, Korea and Malaysia). The amount acquired of USD1.14b was still nothing to be excited about, but we note that the Taiwan and South Korean markets were closed on Friday.
- In relative terms, Indonesia was the biggest gainer. In Jakarta, foreign funds bought USD161.9m, the highest in a week since April. The rupiah was the best performing Asian currency last week, gaining a whopping 9.2%, and cutting the year-to-date decline to only -7.6%. The Government announced its third round of stimulus last week, which includes cuts in energy prices and electricity tariffs for industrial sector. The Government also indicated that it will be announcing a fourth round stimulus policy either this week or next.
- There was also a big swing in money flow in Thailand, which reported a weekly haul of USD143.9m, effectively reversing the outflow the week before. Foreign funds bought mining stocks such as PTT Exploration & Production PCL and PTT PCL which are direct beneficiaries of the recovery in oil price. Non-energy commodity-related stocks, including rubber and sugar-related, also attracted buying interests as prices of the commodities jumped. The Government last week increased the budget for drought assistance to Baht11.2b. It also approved budget to build a small airport in Betong and approved additional holidays to support local tourism.
- Bucking trend was the Philippines where foreign funds remained net sellers, albeit marginally, for the last 14 weeks. Indeed foreign selling had prevailed in 23 out of the last 24 weeks, reflecting the overhang of foreign liquidity in the system.
- Korea was drawing significant foreign funds before the market closed on Friday. The economy is recovering, driven by domestic consumption which was hit by MERS. Bank of Korea meets this Thursday.



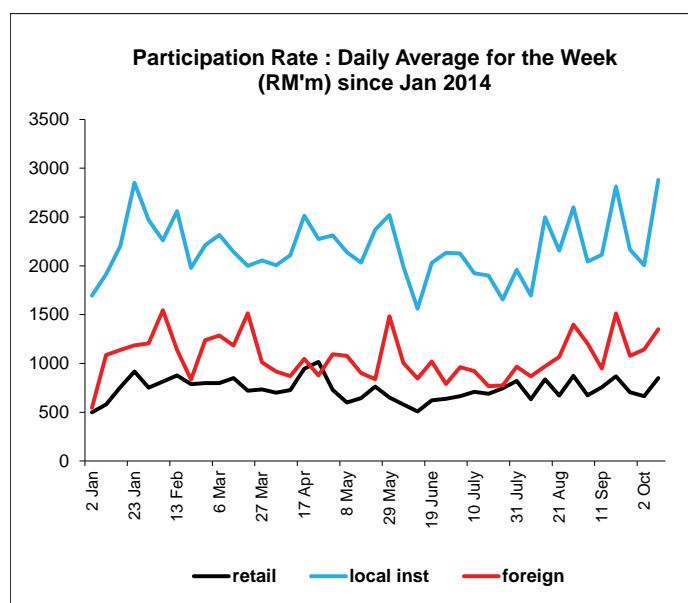
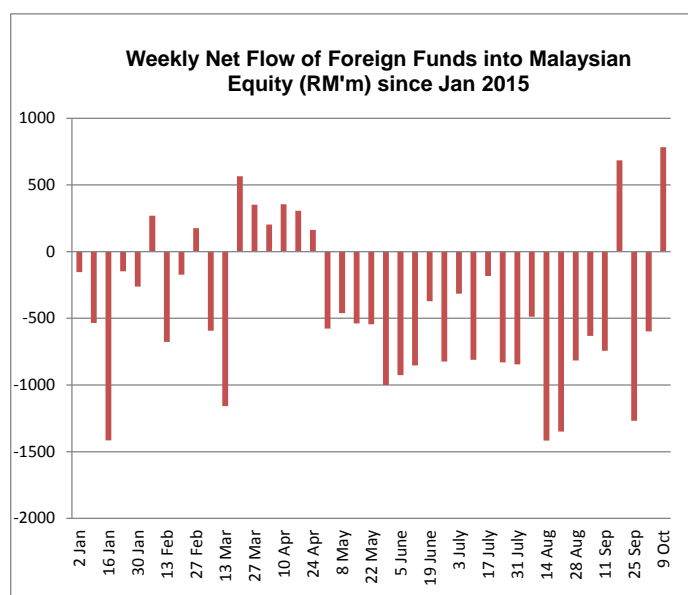
<sup>1</sup> Based on 7 Asian markets, for which fund flow data is publicly available. These are our proxy for Asia: TIPs (Thailand, Indonesia, Philippines), Korea, Taiwan, India and Malaysia.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)								
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
AUG 29	-1950.1	-434.9	-133.5	-240.1	-1903.9	-405.6	-192.7	-5260.8
SEP 4	-369.9	-73.9	-58.6	-47.6	-636.2	-193.3	-148.8	-1528.3
SEP 11	-791.7	-116.6	-127.7	-67.5	-359.3	587.5	-172.0	-1047.2
SEP 18	313.9	61.3	-116.1	-525.0	575.0	655.2	161.4	1125.7
SEP 25	-923.2	-277.2	-139.7	-49.9	-287.5	-1099.9	-294.1	-3071.5
OCT 2	116.8	-158.1	-42.2	-8.4	-221.9	79.8	-135.1	-369.3
OCT 9	303.0	143.9	161.8	-12.3	122.7	231.5	187.7	1138.3

Source: Respective exchange statistics reported on Bloomberg. Bursa Malaysia. These figures are subject to revisions.

**C. TRACKING MONEY FLOW - MALAYSIA**

- On Bursa, there was another dramatic change in the direction of foreign money flow last week. Such sudden reversal has been a phenomenon witnessed in three out of the last four weeks.
- After selling for two straight weeks, investors classified as “foreign” turned net purchasers on Bursa last week. Foreign funds bought RM783.4m net in the open market (i.e excluding off-market deals), reversing the RM599b net sale in the preceding week. The RM783.4m amassed last week was the highest since May 2014.
- The week opened with foreign funds selling on Monday, reflecting a spillover of the momentum from the Friday before. The reversal in the flow started on Tuesday, and buying continued for the rest of the week. On Wednesday, the net purchase amount hit RM290.1m, the fourth highest in a day this year. On Friday, it surged to RM384.9m, the second highest this year after the RM482.4m mopped up on 17 September.
- For 2015, last week’s heavy buying reduced the cumulative net foreign outflow to RM17.6b, compared with the RM6.9b outflow for the entire 2014. Despite the high tide last week, we believe the overhang of foreign liquidity in the market is still very low with foreign shareholding on Bursa at only about 21-22% of total market capitalisation.
- The growth in foreign participation rate accelerated to 18%, from 16.3% the week before. The average daily gross volume remained elevated at RM1.35b, compared with RM1.14b the week before. On Wednesday, gross volume hit RM2.08b, the fifth highest in a day this year and only the sixth time that the RM2b threshold had been broken. Volume was only RM1.43b on Friday, despite the high net add.
- Local institutions sold RM595.8m last week, the highest amount offloaded this year. Participation rate also peaked for the year at RM2.88b. Average volume had surpassed the RM2b mark in the last 9 consecutive weeks. Meanwhile, retailers turned aggressive net sellers, selling RM187.6m on rising but yet moderate average volume of RM849m. The early birds are cashing out.



**BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)**

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	NET (USD)*
AUG 21	1684.3	1676.1	8.2	6058.1	4717.3	1340.8	1993.9	3342.9	-1349.0	-327.5
AUG 28	2132.8	2234.7	-101.9	6955.0	6036.8	918.2	3083.9	3900.2	-816.3	-193.3
SEP 4	1365.7	1324.6	41.1	4384.2	3793.8	590.4	2091.1	2722.6	-631.5	-148.8
SEP 11	1872.2	1911.9	-39.7	5673.1	4889.6	783.5	1998.8	2742.6	-743.8	-172.0
SEP 18	1656.0	1820.7	-164.7	5366.1	5886.4	-520.3	3365.5	2680.5	685.0	161.4
SEP 25	1480.4	1335.1	145.3	4896.2	3772.8	1123.4	1519.9	2788.6	-1268.7	-294.1
OCT 2	1689.6	1630.0	59.6	5286.0	4746.9	539.1	2559.9	3158.6	-598.7	-135.1
OCT 9	2028.9	2216.5	-187.6	6904.7	7500.5	-595.8	3767.0	2983.6	783.4	187.7

\* Estimate by MIDF Research based on prevailing exchange rate. Source: Bursa's preliminary data

## FUND FLOW REPORT

### D. TOP 100 STOCKS: MONEY FLOW <sup>2</sup>

#### TOP 10 NET MONEY INFLOWS

- Time dotCom registered the highest net money inflow of RM8.27m last week. Nonetheless, its share price lagged the market benchmark as it recorded a mere 0.92% weekly gain. In comparison, the FBM KLCI jumped 4.77% during the week under review. It is notable that recent filings showed disposals of TdC shares among some of the GLICs.
- IHH Healthcare came in second with RM7.61m net inflow but its share price too underperformed the market benchmark with a 3.16% week-on-week gain. MIDF Research has recently upgraded its call on IHH Healthcare to Buy from Neutral previously, on higher expected EBITDA margins.
- SapuraKencana recorded the third highest net money inflow of RM3.54m. Its share price outperformed the benchmark as it catapulted by 18.28% during the review week underpinned by rising broader market and the nearly 10% rise in Brent crude price.

#### TOP 10 NET MONEY OUTFLOWS

- Telekom Malaysia saw the largest net money outflow of -RM34.97m during the review week. Accordingly, its stock price underperformed the FBM KLCI as it ended the week higher by merely 0.44% against a bigger 4.77% rise in the market benchmark. It is notable that net money outflow amidst advancing share price indicates sell on strength (SOS) stance among some investors.
- Tenaga Nasional came in second last week with a net outflow of -RM31.97m. Similarly, its share price also underperformed the market benchmark with a 3.65% weekly gain. As mentioned earlier, net money outflow amidst advancing share price may indicate a SOS stance among some investors.
- Axiata registered the third largest net money outflow at -RM20.50m in the review week. Nonetheless, its share price outperformed the broader market with a 10.00% weekly gain which may indicate investors' SOS stance.

Tables below list the Top 10 Net Money Inflows and Net Money Outflows last week among the largest 100 market capitalized stocks on Bursa Malaysia.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TIME DOTCOM	8.27	-0.41	0.92	-
IHH HEALTH	7.61	-1.21	3.16	-
SAPURAKENCANA	3.54	1.13	18.28	-
YTL CORP	2.81	5.33	-2.52	BOW
DIALOG	2.40	-3.23	2.47	-
HLEONG BANK	2.00	2.30	2.73	-
CARLSBERG	1.86	0.07	1.18	-
IJM CORP	1.63	0.33	5.00	-
CMS	1.60	-0.30	2.15	-
AIRASIA	1.43	-0.99	3.97	-

Source: Bloomberg, MIDFR;

Note: BOW - Buy on weakness, SOS - Sell on strength (Bloomberg defined)

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
TM	-34.97	-3.63	0.44	SOS
TNB	-31.96	12.32	3.65	SOS
AXIATA	-20.50	10.62	10.00	SOS
PUBLIC BANK	-12.52	-22.79	3.37	SOS
CIMB	-11.41	8.88	10.96	SOS
DIGI.COM	-10.99	9.50	3.42	SOS
MAXIS	-10.16	3.28	3.82	SOS
LAFARGE	-10.04	-4.16	1.88	SOS
BAT	-7.56	-6.57	3.27	SOS
MAYBANK	-7.54	-2.11	1.78	SOS

Source: Bloomberg, MIDFR;

Note: BOW - Buy on weakness, SOS - Sell on strength (Bloomberg defined)

<sup>2</sup> Money flow indicates whether a particular stock is being more heavily purchased or sold. Money flow generally confirms price trend. As price rises, money flow is usually positive, vice versa. A divergence may portend a reversal in price trend. A rising stock price with a negative money flow can indicate a future price correction, vice versa.

How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added to or subtracted from the money flow respectively.

Source: Bloomberg, MIDFR

D. THE WEEK AHEAD

MARKET MAY TAKE A BREATH

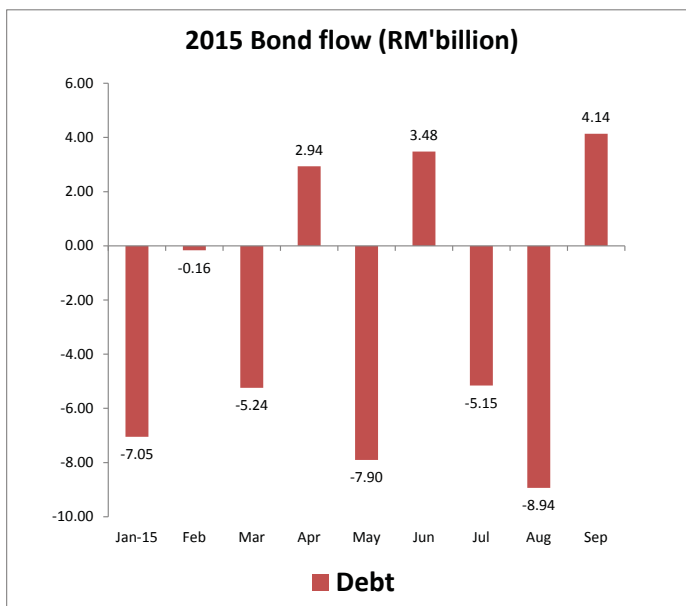
- Recall that the FBM KLCI was well supported at circa 1,750-1,700 points levels for a couple of months up to July. However, the support was finally broken pursuant to the Ringgit onslaught in August. Thenceforth, we saw the equity benchmark tumbled by almost 200 points in mere weeks. The good news is that the FBM KLCI has managed to reclaim the 1,700 points level last week.
- However, the not so good news is the market will likely encounter hordes of so-called 'stale bulls' in the coming week as the benchmark revisits the support-turned-resistance levels. As far the FBM KLCI is concerned, we foresee a consolidation as the immediate upward resistance will be particularly felt at between 1,700 to 1,750 points levels. This situation is not unusual and rather expected as some investors are taking the opportunity to square off their previously loss-making positions in a rising market. Specifically, we expect the KLCI to encounter resistance around the 1740 level. It broke the 50DMA (50-day moving average) convincingly last week and is likely to consolidate before attempting to break the 200DMA.

KLCI heading for resistance



AFTER THE RALLY, WHITHER THE RINGGIT?

- The Ringgit roared back to life last week, gaining 6.91% against the greenback. It rose to as high as USD/RM4.0802 before closing at USD/RM4.1295, the strongest since August 20, buoyed by a combination of domestic and external factors. The most significant external factors driving the Ringgit were the strong gains in the crude oil price and expectations of a less hawkish Federal Reserve subsequent to the release of the disappointing September employment statistics. Domestically, the strong trade surplus of RM10.19b in August combined by the progress in TPPA negotiations were elixirs for the Ringgit. The TPPA, while controversial, is positively regarded by the financial markets as implicit in the pact is the need for member countries to maintain stable exchange rates and not indulge in a tacit depreciation of the currency to gain unfair trading advantage. It may therefore be an in-built stabilizer for the Ringgit.
- The outlook for this week will depend significantly on the direction of oil price. The Fed's FOMC will only be meeting on October 29, meaning crude oil and commodity prices have a good 2-week respite to register a meaningful rally. Brent crude oil rose 9.4% last week from USD48.13pb to USD52.65. The prospect looks good. The Brent price is in a sweetspot, having surpassed the 50DMA line last Monday and is now only 6.6% below the long-term 200-day average resistance of USD56.4



- The bond market has reverted to calm waters, after averting a potentially volatile situation following the sell-down at the end of September. The yield on 10 year MGS has settled at around the 4.1% mark, the lowest in about 2 months. Volume has also eased.
- Bank Negara released the statistics pertaining to foreign shareholding in the bond market last Wednesday. Foreign investors were net purchasers of Ringgit bonds amounted to RM4.14b in September (see chart). That was a big swing from -RM8.94b net amount sold in August and -RM5.15b sold in July. The big purchase was in BNM Bills amounted to RM7.26b. Foreigners sold -RM3.65b worth of MGS in September. Hence, the RM11b purported maturities in MGS were offset by fresh purchases.
- The relative calm in the bond market augurs well for the Ringgit, and hence equity. Less than two weeks before the 2016 Budget, the market is in a buoyant mood.



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